

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 2
(MC2013-51 and CP2013-64)
Negotiated Service Agreements

Docket No. CP2020-234

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE CONCERNING AN
ADDITIONAL GLOBAL RESELLER EXPEDITED PACKAGE 2
NEGOTIATED SERVICE AGREEMENT

(August 5, 2020)

The Public Representative hereby provides comments pursuant to the Commission notice initiating this docket.¹ In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service notice of filing a functionally equivalent Global Reseller Expedited Package 2 negotiated service agreement (Contract).²

Prices and classifications not of general applicability for Global Reseller Expedited Package 2 contracts were previously established by Governors' Decision No. 10-1. In Order No. 1746, the Commission approved the addition of Global Reseller Expedited Package 2 contracts to the competitive product list, and included within that product a Global Reseller Expedited Package 2 contract (CP2013-64) that would serve

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, July 30, 2020.

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, July 29, 2020 (Notice).

as the baseline agreement for functional equivalence comparisons with future agreements.

The Postal Service will establish the effective date of the contract once the Commission completes its review. Attachment 1 at 3. If the effective date of the agreement is the first of the month, the agreement is set to expire one year after its effective date, unless the agreement is terminated sooner pursuant to Article 12, Article 13, or Article 35. *Id.* If the effective date of the agreement is not the first of the month, the agreement is set to expire on the last day of the month in which the effective date falls in the year subsequent to the effective date, unless the agreement is terminated sooner pursuant to Article 12, Article 13, or Article 35. *Id.*

The Postal Service asserts that the Contract is functionally equivalent to the baseline agreement for the first Global Reseller Expedited Package 2 contract and requests that the Contract be included within the Global Reseller Expedited Package 2 product. Notice at 8.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Contract, supporting attachments, and financial model filed under seal. Based upon that review, the Public Representative concludes that the Contract is functionally equivalent to the baseline agreement. In addition, it appears that the Contract will generate sufficient revenues to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Functional Equivalence. The Postal Service asserts that the Contract shares similar cost and market characteristics with the contract in Docket No. CP2013-64, which serves as the baseline agreement for the Global Reseller Expedited Package 2 product. Notice at 3. Differences between the Contract and the Global Reseller Expedited Package 2 baseline agreement are specific to the customer and include revisions to paragraphs, revisions to existing articles, and revisions to Annexes. Notice at 3-8.

The Postal Service maintains that these differences do not affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract. Notice at 8. The Public Representative concludes that the Contract exhibits similar cost and market characteristics to the baseline agreement. Therefore, the Public Representative agrees that the Contract is functionally equivalent to the baseline agreement and should be added to the Global Reseller Expedited Package 2 product.

Sufficient Revenue Requirement. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

As presented, the Postal Service's financial model does not directly address whether the addition of the Contract to the Global Reseller Expedited Package 2 product will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the Postal Service's financial model indicates that the negotiated rates in the Contract will generate sufficient revenue to cover its attributable costs. Therefore, the addition of the Contract to the Global Reseller Expedited Package 2 product should not cause the product's cost coverage to fall below 100 percent, assuming the product currently covers its attributable costs. Under this assumption, the addition of the Contract should allow the Global Reseller Expedited Package 2 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1).

Moreover, the Global Reseller Expedited Package 2 product should improve the likelihood that competitive products as a whole contribute an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3). The Commission will have an opportunity to review the financial results for the Contract in a future ACD Report.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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